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THE UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

CHANEL, INC., a New York corporation,

Plaintiff,

v.

VERONIQUE IDEA CORP., a New York corporation, d/b/a VERONIQUE IDEA CORPORATION, and JONG EUN PARK a/k/a DANIEL PARK, an individual, d/b/a VERONIQUE IDEA CORPORATION, and DOES 1-10,

Defendants.

Case No. 10-cv-2587 (VM)

PLAINTIFF'S MEMORANDUM OF LAW IN SUPPORT OF MOTION FOR SUMMARY JUDGMENT

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Plaintiff Chanel, Inc. ("Chanel" or "Plaintiff"), hereby moves for summary judgment on liability and damages with respect to Counts I (Trademark Counterfeiting and Infringement) and II (False Designation of Origin) of the Complaint against Defendants, Veronique Idea Corp., a New York corporation, d/b/a Veronique Idea Corporation and Jong Eun Park,[1] an individual, d/b/a Veronique Idea Corporation (collectively the "Defendants").[2] In support thereof, Plaintiff submits the following Memorandum of Law.

MEMORANDUM

I. INTRODUCTION

Congress has enacted harsh penalties for individuals and companies who engage in the distribution of counterfeit branded merchandise. This case presents an excellent illustration of why such strong remedies are needed. The Defendants in this matter brazenly purchased and sold significant quantities of costume jewelry bearing counterfeits of the world famous Chanel CC Monogram with full knowledge that they had neither the right or authority to use Chanel's trademark for any purpose. The Defendants, however, managed to trump their pre-suit audacity post-suit by (i) continuing to sell Chanel branded counterfeits after being served with the Complaint; (ii) ignoring a Court Order to produce their purchase and sales records related to the counterfeit merchandise; (iii) destroying relevant data during the course of litigation; and (iv) lying to the Court and Plaintiff's counsel regarding the existence of records relating to the Defendants' purchase and sale of the counterfeit goods at issue.

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[1] Because Defendant Park made all of the decisions for DefendantVeronique as to what merchandise to offer for sale, specifically including the counterfeit Chanel branded merchandise at issue, he is liable individually to the same extent as the corporate Defendant, Veronique (Park Depo. (Ex. C), Pg. 27, ll. 3-8, Statement of Facts ¶33). See Gucci America, Inc. v. Duty Free Apparel, Ltd., 315 F.Supp.2d 511 (S.D.N.Y. 2004) citing Federal Trade Com'n v. Standard Educ. Soc., 86 F.2d 692, 695 (2d Cir. 1936), modified on other grounds, 302 U.S. 112, 58 S.Ct. 113, 82 L.Ed. 141 (1937).

[22] On September 13, 2010, the Court entered a Stipulated Consent Permanent Injunction (DE 19).

As will be demonstrated below, there can be no genuine dispute as to the fact that the Defendants engaged in the unauthorized commercial use of a Chanel registered trademark, the CC Monogram, in connection with the sale of costume jewelry products and that such conduct resulted in a likelihood of consumer confusion. Accordingly, entry of summary judgment in favor Chanel and against the Defendants is appropriate.

II. STANDARD OF ADJUDICATION

The standard to be applied in reviewing summary judgment motions is stated unambiguously in Rule 56(c) of the Federal Rules of Civil Procedure:

> The judgment sought shall be rendered forthwith if the pleadings, depositions, answers to interrogatories, and admissions on file, together with the affidavits, if any, show that there is no genuine issue as to any material fact and that the moving party is entitled to judgment as a matter of law.

FED. R. CIV. P. 56(C). See also Fendi Adele S.R.L. v. Burlington Coat Factory Warehouse Corp., 689 F.Supp.2d 585, 608 (2d. Cir. 2010); Burberry Ltd. v. Euro Moda, Inc., Case No. 08 Civ. 5781(CM), 2009 WL 1675080, at *3-4 (S.D.N.Y. June 10, 2009) (granting summary judgment).

The Court may only grant summary judgment "if the pleadings, depositions, answers to interrogatories, and admissions on file, together with the affidavits, if any, show that there is no genuine issue as to any material fact and that the moving party is entitled to a judgment as a matter of law." Fed.R.Civ.P. 56(c) . The Court must first look to the substantive law of the action to determine which facts are material; "[o]nly disputes over facts that might affect the outcome of the suit under the governing law will properly preclude the entry of summary judgment." Anderson v. Liberty Lobby, Inc., 477 U.S. 242, 248, 106 S.Ct. 2505, 91 L.Ed.2d 202 (1986). Even if the parties dispute material facts, summary judgment will be granted unless the dispute is "genuine" - *i.e.,* "there is sufficient evidence favoring the nonmoving party for a jury to return a verdict for that party." *Id.* at 249, 106 S.Ct. 2505.

In a case such as this one where the plaintiff will ultimately bear the burden of persuasion at trial, the plaintiff must make a *prima facie* showing, with sufficient admissible evidence, that there are no genuine issues of material fact for trial. Celotex, 477 U.S. at 331, 106 S.Ct. 2548. After such a showing, the non-moving party "may not rest upon the mere allegations or denials of the adverse party's pleading"; the non-moving party must respond with ***287** "specific facts showing that there is a genuine issue for trial." Fed.R.Civ.P. 56(e) . To this end, "[t]he non-moving party may not rely on mere conclusory allegations nor speculation, but instead must offer some hard evidence showing that its version of the events is not wholly fanciful." D'Amico v. City of New York, 132 F.3d 145, 149 (2d Cir.1998). In other words, "[w]hen the moving party has carried its burden under Rule 56(c), its opponent must do more than simply show that there is some metaphysical doubt as to the material facts." Matsushita Elec. Indus. Co., Ltd. v. Zenith Radio Corp., 475 U.S. 574, 586, 106 S.Ct. 1348, 89 L.Ed.2d 538 (1986). The Court must view the evidence in the light most favorable to the non-moving party and must draw all inferences in favor of that party. See Hanson v. McCaw Cellular Communications, Inc., 77 F.3d 663, 667 (2d Cir.1996).

In the present matter, summary judgment against the Defendants is appropriate because, as will be demonstrated below, the undisputed factual evidence wholly supports the Plaintiff's allegations in Counts I and II of the Complaint, and Defendants have no valid defenses as a matter of law.

That this case involves questions of fact relating to trademark infringement and counterfeiting does not preclude entry of summary judgment. Lang Retirement Living

Publishing Co, Inc., 949 F. 2d 576 (2nd Cir. 1990); Universal City Studios, Inc. v. Nintendo Co., Ltd., 746 F. 2d 112, 115 (2nd Cir. 1984) (affirming grant of summary judgment); see also Lois Sportswear, USA, Inc. v. Levi Strauss & Co, 799 F. 2d 867, 876 (2nd Cir.1986) (application of undisputed facts to the issue of likelihood of confusion is a legal issue appropriately decided on a motion for summary judgment). Indeed, as noted by the Second Circuit in Lois Sportswear, when the only dispute is the application of material facts to the likelihood of confusion analysis, the legal issue is appropriate for resolution on summary judgment. Lois Sportswear, 799 F. 2d at 876. Specifically, the Second Circuit stated in footnote six to the Lois Sportswear opinion as follows:

> It should be noted that, while on occasion we have stated that trademark cases are generally not amenable to summary judgment, a recent study has found that seventy percent of all trademark cases decided between 1978 and 1984 resulted in a summary judgment. Moreover, trademark owners were summary judgment victors over seventy percent of the time when likelihood of confusion was the principal issue. Barton, *Summary Judgments in trademark cases,* 75 trade-mark Rep. 497, 525 (1985).

Hence, the claims at issue are the proper subject of a summary judgment motion.

III. ARGUMENT

A. SUMMARY JUDGMENT IN FAVOR OF PLAINTIFF AS TO COUNTS I AND II OF THE COMPLAINT IS APPROPRIATE.

1. Plaintiff Is Entitled to Summary Judgment on Its Counterfeiting and Infringement Claim (Count I).

Title 15 U.S.C. §1114 provides liability for trademark infringement if, without the consent of the registrant, a Defendant uses "in commerce any reproduction, counterfeit, copy, or colorable imitation of a registered mark: which "is likely to cause confusion, or to cause mistake, or to deceive. Plaintiff must demonstrate (1) it owns the Chanel Mark at issue; (2) Defendants' use of the Chanel Mark is without authorization from Plaintiff; and (3) Defendants' use is likely to cause confusion, mistake, or deception as to the source, affiliation, or sponsorship of their goods. Section 1127 of the Lanham Act defines a "Counterfeit" as "a spurious mark which is identical with, or substantially indistinguishable from, a registered mark." 15 U.S.C. § 1127. Also, using the "ocular test" of direct comparison of a Defendants' Goods with a Plaintiff's Registration, courts have found that even marks which are slightly modified from the registered mark copied are to be considered counterfeit marks. See Pepe (U.K.) Ltd. vs. Oceanview Factory Outlet Corp., 21 U.S.P.Q. 2d 1509 (Puerto Rico 1991). Plaintiff's evidence submitted herewith demonstrates the three requirements of 15 U.S.C. 1114 have been met and that Defendants used a counterfeit mark as defined in the Lanham Act. Accordingly, Plaintiff can demonstrate the merits of its counterfeiting and infringement claim, as a matter of law.

First, the Chanel Mark[3] at issue is owned by Plaintiff, and Defendants admit they do not have Plaintiff's authorization to use the Chanel Mark on Defendant's Goods. (Declaration of Adrienne Hahn Sisbarro ("Hahn Decl.") (Ex A) at ¶¶ 4 and 16, a true and correct copy of Chanel's trademark registration (Ex. B) and composite excerpt of transcript of the deposition of Jung Eun Park conducted October 26, 2010 ("Park Depo")[4], (Ex. C), Pg. 82, ll. 5-25 through Pg. 83, ll, 1-17) [5] Second, Defendants have used the Chanel Mark in commerce by advertising, offering to sell and selling goods bearing counterfeits of the Chanel Mark within this Judicial District. (Hahn Decl. (Ex. A) at ¶15; Park Depo (Ex. C) at Pg.82, ll. 5-25 through Pg. 83, ll. 1-17; Pg. 71, ll. 6-21; Pg 53, ll. 4-25 through Pg. 54, ll. 1-6, and Exhibit 7, copies of invoices reflecting sales of Chanel branded products produced by Defendants and Exhibit 13, letter, dated May 18, 2010, detailing Defendants' purchase and sales of Chanel branded products, attached to Park Depo; Declaration of Elizabeth Elfed ("Elfeld Decl.") (Ex. D) at ¶¶14-19).

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[3] Plaintiff's Complaint identified four registered trademarks. However, given Defendants' failure to respond to discovery in this matter, Chanel has not obtained evidence sufficient to move for judgment with respect to Reg. Nos. 0,612,169, 0,902,190, and 3,133,139.

[4] Defendant Park testified individually and as the corporate representative for Defendant Veronique at the October 26, 2010 deposition. (Park Depo. (Ex. C), Pg. 5, ll. 20 through Pg. 7, ll. 5, Statement of Facts ¶48).

[5] All Exhibits and Declarations submitted in support of Plaintiff's Motion For Partial Summary Judgment are attached to Plaintiff's Statement of Undisputed Facts, filed on date even herewith, and are incorporated herein by reference.

The main issue in a trademark infringement action is always whether the activities of the Defendants will result in a likelihood of confusion in the marketplace. "Likelihood of confusion is the basic test for both common law trademark infringement and federal statutory trademark infringement." Bonito Boats, Inc. v. Thundercraft Boats, Inc., 489 U.S. 141, 157, 109 S.Ct. 971, 980 (1989) ("The law of unfair competition has its roots in the common-law tort of deceit: its general concern is with protecting consumers from confusion as to source.") In Polaroid Corp. v Polarad Elect. Corp., 287 F. 2d 492, 495 (2nd Cir. 1961), the Second Circuit set forth the following eight (8) factors to be weighed in a likelihood of confusion analysis in any trademark infringement case.[6] The eight (8) factors are as follows:

(a) strength of the mark;

(b) similarity of the marks;

(c) competitive proximity of the goods;

(d) the likelihood that the moving party will bridge the gap and offer a product like the alleged infringer's product

(e) actual confusion;

(f) good faith on the Defendants' part;

[6] In this case, however, the Court may not need to undertake a factor-by-factor analysis under Polaroid because counterfeits, by their very nature, cause confusion. See Topps Co., Inc. v. Gerrit J. Verburg Co., 41 U.S.P.Q.2d 1412, 1417 (S.D.N.Y.1996) ("Where the marks are identical, and the goods are also identical and directly competitive, the decision can be made directly without a more formal and complete discussion of all of the Polaroid factors."). Indeed, confusing the customer is the whole purpose of creating counterfeit goods. *Cf.* Polo Fashions, Inc. v. Craftex, Inc., 816 F.2d 145, 148 (4th Cir.1987) ("Where, as here, one produces counterfeit goods in an apparent attempt to capitalize upon the popularity of, and demand for, another's product, there is a presumption of a likelihood of confusion.").

(g) quality of the Defendants' products; and

(h) the sophistication of buyers.

a) Strength of the Mark

In considering the first factor, the strength of the mark, courts look to (i) inherent strength and (ii) acquired strength. TCIP Holding Co. v. Haar Communications, Inc., 244 F.3d 88, 100 (2nd Cir. 2001). "Inherent strength is measured by the degree of distinctiveness" along the spectrum of protectability and strength for trademark.

Perhaps the best dissertation regarding ascertaining the strength of a mark was set forth by the Second Circuit in Lois Sportswear, USA, Inc. v. Strauss & Co., 799 F. 2d 867(2nd Cir. 1986) as follows:

> Judge Friendly set forth what has become the governing law of trademark classification: "arrayed in a ascending order which roughly reflects their eligibility to trademark status and the degree of protection accorded, these classes are (1) generic (2) descriptive (3) suggestive (4) arbitrary or fanciful."
>
> Superimposed on this framework is the rule that registered trademarks are presumed to be distinctive and should be afforded the utmost protection. Vibrant Sales, Inc. v. New Body Boutique, 652 F. 2d 299, 304 (2nd Cir. 1981) (additional citation omitted).

Lois Sportswear, 799 F. 2d at 871. In Lois Sportswear, it was Levi's jeans' back pocket stitching pattern which was the subject of an incontestable federal trademark registration. This matter involves a substantially similar fact pattern including the fact that the trademark at issue is also a particular pattern or shape (as opposed to a word mark) and is also the subject of an incontestable registration. See Statement of Undisputed Facts at ¶12 and Exhibit B. In Lois Sportswear, the Second Circuit held that because the mark at Bar was registered and incontestable, that, "of course, entitl[ed] the mark to significant protection." Lois Sportswear, 799 F. 2d at 871. Hence, under Second Circuit law, because Plaintiff's Chanel Mark at issue herein is registered and incontestable, it is entitled to significant protection.

Additionally, in Lois Sportswear, the Court found Levi's stitch pattern mark to be "a fanciful pattern of interconnected arcs," which entitled it "to the most protection the Lanham Act can provide." Id. Likewise, in this case, Plaintiff's Chanel Mark is strong because it is completely arbitrary and fanciful with respect to the costume jewelry products sold thereunder.

Although it is unnecessary to prove in this case due to Defendants' intentional copying, the Chanel Marks have also acquired secondary meaning. Plaintiff has expended substantial time, labor, skill and expense in developing, advertising and promoting the Chanel Marks in the United States for many years. See Hahn Decl. at ¶5. The Chanel Marks enjoy widespread recognition and are prominent in the minds of the consuming public. Id. at ¶5.

b) Similarity of the Marks

The Defendants are using a mark which is virtually identical to the Chanel Mark. Compare Exhibit B to the Statement of Undisputed Facts with Exhibits "2" and "3" attached to Hahn Decl. (Ex. A). Even if the marks were not virtually identical, using the "ocular test" of direct comparison of Defendants' goods with Plaintiff's trademark registration, Defendants' goods would still be considered counterfeit. See Pepe (U.K.), Ltd. v. Oceanview Factory Outlet Corp., 21 U.S.P.Q. 2d (1509) (D. Puerto Rico 1991); Fimabo - Finanziari Magnifico v. Helio Import/Expert, Inc., 601 F. Supp. 1 (S.D. Fla. 1983). An ocular comparison of the Defendants' counterfeits and the Plaintiff's registered trademark clearly evidence the identical nature. Of course, the Lanham Act was designed to prevent persons and entities such as the Defendants from boot strapping of a trademark owner's goodwill by the use of a substantially similar mark. Thus, this factor weighs entirely in favor of Plaintiff.

c) Competitive Proximity of the Goods

Defendants are selling their counterfeit goods via a retail/wholesale storefront located in New York. (Elfeld Dec. (Ex. D) at ¶18). Indeed, the Defendants are selling their goods via the same means (a retail/wholesale storefront) utilized by Chanel. (Hahn Decl. at ¶8 (Ex A)). Defendants' Goods look substantially similar, if not identical, to Plaintiff's genuine Chanel branded jewelry products. This is true in appearance only, since Defendants' Goods are non-genuine and different in quality. (Hahn Decl. (Ex. A) at ¶15). Standing alone, this similarity can be held sufficient to establish a likelihood of confusion. See Master Crafters C&R Co. v. Vacheron & Constantine-LeCoultre Fragrances, Inc., 221 F. 2d 464 (2d Cir. 1955). In view of the foregoing, this factor weighs heavily in favor of Plaintiff.

d) Likelihood that the Moving Party will Bridge the Gap and Offer a Product Like the Alleged Infringer's Product

Analysis of this particular factor is unnecessary, since the Plaintiff already offers the identical types of products being sold by the Defendants under counterfeits of the Chanel Mark.

e) Evidence of Actual Confusion

As evidenced by the Declaration of Elizabeth Elfeld and the Exhibits thereto, the Defendants offered to sell and sold counterfeit goods which are virtually identical in appearance to those genuine goods sold by Plaintiff.

Additionally, post-sale consumers viewing Defendants' Goods are obviously being actually confused, since they are viewing goods bearing the Plaintiff's Mark under the impression they are viewing genuine goods authorized by the Plaintiff. Indeed, post-sale consumer confusion is ensured by Defendants' intentional copying of Plaintiff's genuine goods. Such post-sale confusion is entirely actionable. In a case directly on point, Mastercrafters Clock

& Radio Co. v. Vacheron & Constantin-Le Coultre Watches, Inc., 221 F.2d 464, 105 U.S.P.Q. 160, Judge Frank stated as follows:

> [L]likely confusion of those other than a purchaser of an article is actionable.
>
> ***
>
> [A]t least some customers would buy [the copier's] cheaper clock for the purpose of acquiring the prestige gained by displaying what many visitors at the customers' homes would regard as a prestigious article. [The copier's] wrong thus consisted of the fact that such a visitor would be likely to assume that the clock was an Atmos clock. . . . [T]he likelihood of such confusion suffices to render [the copier's] conduct actionable."

The damage to the senior user in such a case is that consumers could acquire the prestige value of the senior user's product by buying the copier's cheap imitation. Even though the knowledgeable buyer knew that he was getting an imitation, viewers would be confused. Thus, the senior user suffers a loss of sales diverted to the junior user, the same as if the actual buyer were confused.

"In 1962, Congress struck out language in the Lanham Act which required confusion, mistake or deception of "purchasers as to the source of origin of such goods and services." Several courts have noted this expansion of the test of infringement and held that it supports a finding of infringement when even non-purchasers are deceived, as in the "Atmos" clock case." See McCarthy, Thomas J., McCarthy on Trademarks and Unfair Competition, Vol. 3, Sec. 23.7 (West 4th Ed. 2001); See also, United States v. Hon, 904 F.2d 803, 14 U.S.P.Q.2d 1959 (2d Cir. 1990), cert. denied, 498 U.S. 1069, 112 L. Ed. 2d 851, 111 S. Ct. 789 (1991) (The "likely to confuse" standard is not limited to purchasers and potential purchasers, but includes the general public); accord, Ferrari S.p.A. Esercizio Fabriche Automobile Corse v. McBurnie, 11 U.S.P.Q.2d 1843 (S.D. Cal. 1989) ; Ferrari S.p.A. Esercizio Fabriche Automobile E Corse

v. Roberts, 944 F.2d 1235, 20 U.S.P.Q.2d 1001, 1009–1010 (6th Cir. 1991) ("The Lanham Act, however, was intended to do more than protect consumers at the point of sale. . . . Ferrari's reputation in the field could be damaged by the marketing of [defendant's] replicas . . . despite the absence of point of sale confusion."). Hence, this factor also weighs heavily in favor of Plaintiff.

It should also be noted that evidence of actual confusion is unnecessary to a finding of liability under the Lanham Act. As noted by the Second Circuit in Lois Sportswear;

> [I]t is black letter law that actual confusion need not be shown to prevail under the Lanham Act, since actual confusion is very difficult to prove and the Act requires only a likelihood of confusion as to source. E.g., W.E. Bassett Co. v. Revlon, Inc., 435 F. 2d 656, 662 (2nd Cir. 1970).

This factor also weighs heavily in favor of Plaintiff.

f) Good Faith on the Defendants' Part

The Defendants' clearly copied the Chanel Mark for the purpose of deriving the benefit of Plaintiff's reputation. Plaintiff has produced evidence that the Defendants have been using counterfeits of the Chanel Mark in order to trade on the reputation and goodwill of Plaintiff for the purpose of defrauding the public. The Exhibits, Declarations and deposition testimony of Jong Eun Park, the Defendants' representative, submitted herewith make it abundantly clear that the Defendants were not operating in good faith. Based on the Defendant Jong Eun Park's own admissions, the Defendants were well aware of Plaintiff's rights and decided to engage in the purchase and sale of counterfeit Chanel jewelry products without regard to those rights. (Park Depo (Ex. C) Pg. 78, ll. 15-25 through Pg. 80, ll. 1-20 and Pg. 82, ll. 5-25 through Pg. 83, ll. 1-17, Statement of Facts ¶¶46 and 47).

Convergent marketing channels increase the likelihood of confusion. The Defendants were clearly marketing their counterfeit goods to the same ultimate customer base as Plaintiff, through retail outlets - the exact same marketing channel used by Plaintiff. Hahn Decl. (Ex. A) at ¶5, and Elfeld Dec. (Ex. D) at ¶5.

The Second Circuit has specifically recognized that when a "second-comer," such as the Defendants, acts in bad faith and intentionally copies a trademark or trade dress, a presumption arises that the copier has succeeded in causing confusion." Paddington Corp. vs. Attiki Importers & Distributors, Inc., 996 F.2d 577 (2d Cir. 1993); See also, Samara Bros. Inc. vs. Wall-Mart Stores, Inc., 165 F.3d 120 (2d Cir. 1998). rev'd. on other grounds, 529 S. 205, 120 S. Ct. 1339, 1342 (2000) ("intentionally deceptive conduct ... serves as a proxy for actual consumer confusion raising a rebuttable legal presumption that the actor's intent will be successful. The burden then shifts to the defendant to demonstrate the absence of consumer confusion.").

A determination as to a Defendants' intent is appropriately made on summary judgment in a case as clear as this. Resource Developers, Inc. v. Statue of Liberty-Ellis Foundation, Inc., 926 F. 2d 134 (2nd Cir. 1991). As the Second Circuit stated;

> While we are well aware that caution must be exercised in granting summary judgment when the state of mind is in issue, "[t]he summary judgment rule would be rendered sterile. . . if the mere incantation of intent of state of mind would operate as a talisman to defeat an otherwise valid motion." *Meiri v. Dacon*, 759 F. 2d 989, 988 (2nd Cir.), *Cert. denied.* 474 U.S. 829, 106 Cd. 91, 88 L. Ed. 2d 74 (1985).

Resource Developers, 926 F. 2d at 414. The Defendants admitted to purchasing jewelry items bearing counterfeits of the Chanel Mark under highly suspicious circumstances (Park Depo (Ex. C) Pg 71, ll. 6-14 and Pg. 72, ll. 4-23, Statement of Facts ¶35 together with Exhibit 7 (Defendants' invoices reflecting sales of Chanel branded jewelry items) and Exhibit 13 (May 18, 2010 correspondence provided to Plaintiff's counsel detailing Defendants' purchase and sale of Chanel branded jewelry items) attached to the Park Depo). Defendants also admitted they were aware they did not have the authority to use the Chanel Mark (Park Depo (Ex. C), Pg. 82, ll. 5-25 through Pg. 83, ll. 1-17, Statement of Facts ¶47), and that admission alone is sufficient to establish Defendants' intent to counterfeit the Plaintiff's Chanel Marks. At a minimum, it reflects Defendants' willful blindness to or reckless disregard for the Plaintiff's trademark rights.

Even if the undisputed facts with respect to Defendants' intention to profit from the Plaintiff's trademarks were not so clear, it is important to note that intentional copying is not a requirement under the Lanham Act. Lois Sportswear, 799 F. 2d at 875.

g) Quality of Defendants' Products

Because Defendants' counterfeit goods are not guaranteed by a substantial company such as Chanel, and the goods are of an unknown chemical makeup, they cannot be said to be of the same quality as genuine Chanel goods. See Hahn Decl. (Ex. A) at ¶15.

Even if Defendants could demonstrate the quality of their counterfeit products to be equivalent to the Chanel branded jewelry products sold by the Plaintiff, such a showing might actually increase the likelihood of confusion as to source. See Lois Sportswear, 799 F. 2d at 875. Particularly in the post-sale context, consumers receiving Defendants' counterfeit goods as a gift or viewing them in the hands of a purchaser may be more likely to assume the products came from the same source as the Plaintiff's genuine goods due to the similar quality and appearance. As noted by the Second Circuit "[t]he fact that [infringers] have produced a quality copy [may suggest] that the possibility of their profiting from [a trademark holders] goodwill is still likely." Id.

h) Sophistication of Buyers

For consumers purchasing the goods at issue, the most important fact is generally price. The greater the price of a product, the more careful the typical potential purchaser is expected to be, thereby reducing the likelihood of confusion. See McGregor-Doniger, Inc. v. Drizzle, Inc., 599 F.2d 1126 (2d Cir. 1979) ("the average purchaser of an automobile will, no doubt, devote more attention to examining different products and determining their manufacturer or source than will the average purchaser of a ball of twine.") While the respective goods sold by Plaintiff and Defendants are not exactly balls of twine, they are relatively inexpensive jewelry products which consumers do not spend a great deal of time selecting. (Elfeld Decl. at ¶12 and Exhibit 3 attached thereto, Statement of Facts ¶23). Even a detailed analysis of Defendants' counterfeit products by a consumer would not likely reveal that they are distinguishable from Plaintiff's genuine goods, since the trademark being used by Defendants is identical to the Plaintiff's Chanel Mark. Thus, this factor also weighs completely in favor of Plaintiff.

The foregoing argument and evidence demonstrates the Plaintiff is entitled to entry of summary judgment on the issue of liability with respect to Count I of its Complaint. Plaintiff respectfully submits that in view of the evidence presented, there exists no genuine dispute that (1) Plaintiff owns the Chanel Mark at issue; (2) Defendants had no right or authority whatsoever to make use of the Chanel Mark; and (3) Defendants' counterfeit products sold in the marketplace caused a likelihood of consumer confusion as to the source of such goods because Defendants' goods bore an exact copy of the Chanel Mark.

2. Plaintiff Is Entitled To Summary Judgment On Count II of The Complaint

Chanel is also entitled to summary judgment on Count II of its Complaint, which set forth cause of action for false designation of origin pursuant to Section 43(a) of the Lanham Act, 15

U.S.C. § 1125(a). Chanel framed its two Federal claims under Sections 32(1), 15 U.S.C. §1114(1), and 43(a), 15 U.S.C. §1125(a) of the Lanham Act in terms of trademark infringement/ counterfeiting and false designation of origin, respectively. Section 32(1) provides protection only to registered marks, but Section 43(a) affords protection against a wide variety of unfair competition, including infringement of both registered and unregistered marks. Two Pesos v. Taco Cabana, Inc., 505 U.S. 762, 767-768 (1992). Indeed, the courts have uniformly held that common law and statutory trademark infringements are merely specific aspects of the broader tort of unfair competition. See, e.g., Burberry Ltd. v. Euro Moda, Inc., Case No. 08 Civ. 5781(CM), 2009 WL 1675080, at *8, 15 (S.D.N.Y. June 10, 2009); Standard & Poor's Corp. v. Commodity Exch., Inc., 683 F.2d 704, 708 (2d Cir.1982) ("The heart of a successful claim based upon [both] ... the Lanham Act ... and [the] common law [causes of action] ... is the showing of a likelihood of confusion as to the source or sponsorship of defendant's products.").

As discussed above, Chanel has demonstrated the Defendant has committed multiple acts of willful trademark infringement and counterfeiting in violation of Section 32(1) of the Lanham Act. Chanel's analysis includes a discussion of all of the likelihood of confusion factors outlined by the Second Circuit in Polaroid Corp. v Polarad Elect. Corp., supra. As with trademark infringement claims, the test for liability for false designation of origin under Section 43(a) of the Lanham Act, 15 U.S.C. § 1125(a), is also whether the public is likely to be deceived or confused by the similarity of the marks at issue. Two Pesos, 505 U.S. at 780. Whether the violation is called infringement, unfair competition or false designation of origin, the test is identical -- is there a "likelihood of confusion?" Id.; see also Bonito Boats, Inc., 489 U.S. 141, 157 ("The law of unfair competition has its roots in the common-law tort of deceit: its general concern is with protecting consumers from confusion as to source.").

In view of the foregoing authority, Chanel submits that because it has proven Defendants' liability under Count I of the Complaint for trademark infringement and counterfeiting in violation of Section 32 of the Lanham Act, Chanel has necessarily proven Defendants' liability under Count II of the Complaint for false designation of origin pursuant to Section 43(a) of the Lanham Act. Accordingly, summary judgment is also appropriate as to Count II.

B. PLAINTIFF IS ENTITLED TO AN AWARD OF DEFENDANTS' PROFITS OR STATUTORY DAMAGES

As alleged in the Complaint, confirmed in the Declarations and evidence submitted in this matter, and admitted by Defendants themselves, the products distributed, advertised, sold and/or offered for sale by the Defendants bore counterfeits of Plaintiff's CC Monogram trademark. (Hahn Decl. (Ex. A), Park Depo (Ex. C) Pg. 78, ll. 15-25 through Pg. 80, ll. 1-20, Statement of Facts ¶46) and Exhibits 7 and 13 attached thereto, and Elfeld Decl. (Ex. D) and the Exhibits thereto. In a case involving the use of counterfeit marks in connection with the sale, offering for sale or distribution of goods, 15 U.S.C. § 1117 provides that a plaintiff may elect an award of either its actual or statutory damages at any time before final judgment is rendered, in the sum of not less than $1,000.00, nor more than $200,000.00 per counterfeit mark per type of goods. In addition, if the Court finds that a defendant's counterfeiting actions were willful, then it may impose damages above the maximum limit up to $2,000,000.00 per infringement. 15 U.S.C. § 1117(c)(2).

In this matter, the Defendants completely stonewalled Plaintiff's attempts to conduct legitimate discovery regarding Defendants' sales of costume jewelry products bearing counterfeits of the Chanel Mark (Declaration of Stephen M. Gaffigan (Ex. E) ["Gaffigan Decl."] at ¶3). However, Defendants' counsel did provide Plaintiff with correspondence alleging the Defendants' sales of the counterfeit Chanel branded jewelry items bearing counterfeits of the

Chanel Mark totaled $71,400.51. (Ex. 13, correspondence, dated May 18, 2010, to Park Depo [Ex. C]). But, the Defendants produced no records which support either the total purchase or sale amounts detailed in the May 18, 2010 correspondence. In fact, Defendant, Jong Eun Park, appearing individually and on behalf of Veronique Idea Corp., at a deposition conducted October 26, 2010, admitted that the purchase figures were calculated based on his "guesses" and that the Defendants did not save the records associated with the purchase figures. (Park Depo. (Ex. C), Pg. 121, ll. 1-15, Statement of Facts ¶58). Additionally, the Defendants, to date, have only produced invoices for a two month period in support of the sales figures detailed in the May 18, 2010 correspondence. This paltry production was all that was made by the Defendants despite their admission in deposition that they are in physical possession of all sales invoices for the entire period during which they admit they sold the counterfeit Chanel branded jewelry items. (Park Depo. (Ex. C), Pg. 122, ll. 18 -25 through Pg. 123, ll. 1-14 and Pg. 124, ll. 21-25, Statement of Facts ¶59). The Defendants' refusal to produce their sales records is in flagrant disregard of the Court's Order dated June 23, 2010 (DE 17) requiring the Defendants to produce all records which support their purchase and sales figures detailed in the May 18, 2010 correspondence. The Order was entered upon Plaintiff's notice to the Court that the Defendants' had failed to provide the requested documentation after numerous requests by Plaintiff. The Order required the Defendants to produce the records within fourteen days from the date of the Order, July 8, 2010, and put the Defendants on notice of possible sanctions, including granting Plaintiff certain negative inferences regarding issues relating to both liability and damages in this action.

Defendants' counsel expressly informed the Court on multiple occasions that no sales records existed. However, Defendant Park testified in deposition that prior to May 18, 2010, he and his staff personally examined all invoices for Chanel branded jewelry products in his office and "handed them to [their] laywer." (Park Depo. (Ex C), Pg. 127, ll. 23 through Pg. 128, ll. 11, Statement of Facts ¶61).

To date, the Defendants have failed to respond Plaintiff's First Request for Production of Documents or First Set of Interrogatories, or comply with the Court's June 23, 2010 Order, even though Defendants have admitted they have the invoices which relate to the sales figures detailed in the May 18, 2010 correspondence (Gaffigan Decl. (Ex E) at ¶¶2 and 3, Statement of Facts ¶¶63 and 64). Further, it is apparent based on Defendant Park's testimony during the October 26, 2010 deposition that the Defendants' failure to respond to Plaintiff's discovery requests or comply with the Court's June 23, 2010 Order was a deliberate refusal to do so, and not due to excusable neglect. Specifically, Defendant Park testified "let's say, we hand over all invoice [sic], the invoices should total the sales figures detailed in the May 18, 2010 correspondence." (Park Depo. (Ex. C), Pg. 128, ll. 18 – 25, Statement of Facts ¶61). However, even that testimony by Mr. Park was clearly false. Specifically, Mr. Park testified that the May 18, 2010 correspondence purportedly outlining Defendants' sales of the counterfeit Chanel branded jewelry excluded damaged goods bearing the Chanel Mark. (Park Depo (Ex C), Pg. 116, ll. 16 through Pg. 117, ll. 7, Statement of Facts ¶71). Mr. Park further testified the Defendants, in fact, sold those damaged items (Park Depo (Ex C), Pg. 116, ll. 21 through Pg. 117, ll. 7, Statement of Facts ¶71.). Accordingly, although the Defendants have admitted $71,400.51 in sales revenues directly related to the counterfeit Chanel branded products at issue, by Mr. Park's own admission, the Defendants did not include their bulk sales of defective items bearing counterfeits of the Chanel CC Monogram in that number. Hence, based upon Mr. Park's testimony, it is clear Defendants' sales revenues from the counterfeit Chanel branded merchandise at issue actually exceeded $71,400.51. Defendants' true sales revenues will never be known given Defendants' failure to produce records.

The Lanham Act provides for recovery for actual damages, consisting of a defendant's profits, as well as any damages sustained by the plaintiff and court costs. See 15 U.S.C. §1117(a). In cases involving the use of a counterfeit mark, damages may be trebled pursuant to 15 U.S.C. §1117(b). In this case, in order for Chanel to recover the Defendants' profits from the sale of counterfeit Chanel merchandise, Chanel must demonstrate the Defendants acted with willful deception, in addition to showing (i) the Defendants' unjust enrichment; (ii) Chanel's damages, if any, from the infringements; or (iii) the accounting of profits as necessary to deter future willful infringement. See George Basch Co. v. Blue Coral, Inc., 968 F.2d 1532, 1537 (2d Cir. 1992). Once Chanel demonstrates that it is entitled to an award of the Defendants' profits, Chanel must only prove the Defendants' sales, and the Defendants have the burden to prove any costs or deductions from their gross revenues. See 15 U.S.C. §1117(a); see also Chloe v. Zarafshan, 2009 WL 2956827 (S.D.N.Y. 2009). The evidence submitted by Chanel in this case clearly demonstrates the Defendants have been unjustly enriched from the sale of costume jewelry items bearing counterfeits of the Chanel Mark. Chanel's evidence also demonstrates the Defendants engaged in their counterfeit sales with full knowledge of Chanel's ownership of the Chanel Mark at issue and with knowledge that they were without right or authority to use the mark for any purpose.

Chanel seeks a base profit award pursuant 15 U.S.C. §1117(a) in the amount of the defendants' admitted gross revenues of $71,400.51. (Ex. 13 to Park Depo. (Ex. C), May 18, 2010 correspondence from the Defendants' counsel to Plaintiff's counsel regarding counterfeit Chanel sales). Although Defendant Park admitted in deposition testimony that the gross revenues identified in the May 18, 2010 correspondence are not accurate because they exclude additional counterfeit Chanel merchandise defendants sold in bulk for cash, the true gross revenues resulting from the sale of counterfeit Chanel branded merchandise by the Defendants would actually be higher than the $71,400.51 sought as an actual profit award by Chanel.

As noted above, it is up to the Defendants to prove all elements of costs or deductions pursuant to 15 U.S.C. §1117(a). The Defendants cannot carry their burden to demonstrate deductible expenses. Although the Defendants' counsel's May 18, 2010 correspondence purports to outline $37,231.85 in expenses related to cost of goods and labor, those expenses cannot be proven by the Defendants. First, Defendant Park testified in deposition that the Defendants have destroyed all purchase records related to the counterfeit Chanel goods at issue (Park Depo. (Ex. C), Pg. 120, ll. 19-25, Statement of Fact ¶57). Second, Defendant Park testified that he speculated as to the labor and material costs which make up a portion of the $37,231.85 expense number in the May 18, 2010 correspondence. (Park Depo. (Ex. C), Pg. 111, ll. 23-25 through Pg. 113, ll. 1-13, Statement of Fact ¶55). Third, it is appropriate to preclude the Defendants from submitting any evidence whatsoever regarding their purported cost of goods or expenses as a sanction for their failure to participate in discovery and their litigation misconduct.

Pursuant to Federal Rule of Civil Procedure 37(b), when a party fails to obey an order to provide or permit discovery, the court where the action is pending may sanction the disobedient party, and such sanctions may include "prohibiting the disobedient party from supporting or opposing designated claims or defenses, or from introducing designated matters in evidence." Fed.R.Civ.P. 37(b)(2)(A)(ii). It is undisputed that on June 23, 2010, this Court ordered the Defendants to produce all purchase and sales records related to the counterfeit Chanel branded goods at issue in this action including the documentation supporting the figures detailed in the Defendants' counsel's May 18, 2010 correspondence or face sanctions related to liability and damages in this action. (See Statement of Facts at ¶62 and DE 17). In view of the deposition testimony of Mr. Park, it is also undisputed that the Defendants are in possession of all of the relevant sales records and various memoranda provided by Mr. Park to one of his employees outlining the costs and expenses he believed were associated the sale of the Chanel branded items. (Park Depo. (Ex. C), Pg.122, ll. 18-25 through Pg. 123, ll. 1-14 and Pg. 124, ll. 21-25, Statement of Facts ¶59). All of those documents were withheld from the Plaintiff during the course of discovery. (Gaffigan Decl. at ¶¶2 and 3). Moreover, the Defendants utterly failed to respond to either Chanel's First Request for Production of Documents or Chanel's First Set of Interrogatories propounded upon the Defendants. Id. at ¶3. During the Defendants' deposition, Plaintiff's counsel expressly reminded Defendants' and their counsel that the Defendants had not produced records as required by the Court and had not responded to Plaintiff's outstanding discovery requests. (Park Depo. (Ex. C), Pg. 142, ll. 19 through Pg. 143, ll. 23, Statement of Facts ¶64). In response, Defendants' counsel assured Plaintiff's counsel that all discovery responses and the accompanying documents would be forthcoming prior to close of discovery on November 12, 2010. Id. at ¶3. Instead, however, the Defendants once again thumbed their noses at the litigation process and produced nothing. Accordingly, Plaintiff suggests it is a reasonable sanction to preclude the Defendants from introducing any evidence, whether documents or testimony, in support their claimed deductions from gross revenues.

Plaintiff also seeks trebling of the Defendants' profits pursuant 15 U.S.C. §1117(b) which provides, in part, as follows:

(b) treble damages for use of a counterfeit mark

> In assessing damages under Subsection (a) for any violation of 1114(1)(a) of this Title . . ., in a case involving use of a counterfeit mark or designation (as defined in Section 1116(d) of this Title), the court, shall, unless the court finds extenuating circumstances, enter judgment for three times such profits or damages, whichever amount is greater. . . .

Because the Plaintiff has proven the Defendants willfully and knowingly used a counterfeit mark, Chanel requests the requested base profit award under 1117(a) be trebled to reflect a total actual profit award of $214,201.53.

Alternatively, Chanel seeks an award of statutory damages pursuant to 15 U.S.C. §1117(c). For willful violations of the Lanham Act involving the use of counterfeits, plaintiffs may recover between $1,000.00 and $2,000,000.00 (per counterfeit mark per type of goods or services sold, offered for sale or distributed), as the court considers just. See 15 U.S.C. §1117(c)(2). Unfortunately, the statute does not provide guidelines for the courts to use in determining an appropriate award. See Gucci America, Inc. v. Duty Free Apparel, Ltd., 315 F.Supp.2d 511 (S.D.N.Y. 2004). However, as noted by this Court in the Duty Free Apparel case, "[t]o the extent possible, statutory damages 'should be molded out of the same bolt of cloth as actual damages.'" Duty Free Apparel, 315 F.Supp.2d 511, 520. Keeping that principle in mind, Chanel respectfully submits that it would appropriate to assess a minimum statutory damage award of $214,201.53 which is equal to the actual profit award sought pursuant to §1117(a) and trebled pursuant to §1117(b). Moreover, Chanel submits that the $214,201.53 figure may properly be enhanced for purposes of statutory damages in view of Defendant Park's deposition testimony. Specifically, Mr. Park testified that the Defendants admitted $71,400.51 sales figure relating to counterfeit Chanel merchandise intentionally did not include "defective" merchandise bearing counterfeits of the Chanel Mark which the Defendants admitted selling for cash. Chanel suggests that an enhancement of the statutory damage award beyond three times the admitted sales revenues to a total amount of at least $300,000.00 is appropriate to accomplish the Congressionally stated goal of deterrence. A statutory damage award in the amount of $300,000.00 represents an award of $100,000 per mark counterfeited per type of goods sold, earrings, pendants, and necklaces, the requested statutory damage award is at the very low end of the statutory range and is appropriate given the Defendants' conduct both pre and post litigation.

The Court has wide discretion to set an amount of statutory damages. Sara Lee Corp. v. Bags of New York, 36 F. Supp.2d 161, 166-67 (S.D.N.Y. 1999) (collecting cases, analogizing the Copyright Act statutory damages, and describing breadth of court's discretion in awarding statutory damages under the Lanham Act); Playboy Enters, Inc., 1998 U.S. Dist. Lexis 10359 (E.D.Va. 1998); see also Harris v. Emus Records Corp., 734 F.2d 1329, 1335 (9th Cir. 1984) (Concluding that the court's discretion in setting the amount of copyright statutory damages is "wide," constrained only by the specified maxima and minima."); Peer Int'l. v. Pausa Records, 909 F.2d 1332, 1335-36(9th Cir. 1990), cert. denied, 498 U.S. 1109, 111 S.Ct. 1019, 112 L.Ed.2d 1100 (1991) (upholding award of maximum statutory damages where copyright infringement was willful).

Plaintiff's trademark identifies quality costume jewelry products. That Defendants sold goods using a mark which is identical to Plaintiff's strong mark shows conclusively the Defendants' desire and purpose to trade upon Plaintiff's goodwill. See Mobil Oil Corp. v. Pegasus Petroleum Corp., 818 F.2d 254 (2d Cir. 1987) (citing Harold F. Ritchie, Inc. v. Chesebrough-Pond's Inc., 281 F.2d 755 (2d Cir. 1960); Grotrian, Helfferich, Schulz, TH, Steinweg Nachf v. Steinway & Sons, 523 F.2d 1331, 1339 (2d Cir. 1975).

Entry of a statutory damage award in the amount requested should be sufficient to deter the Defendants and others from continuing to counterfeit or otherwise infringe Plaintiff's Chanel

Marks. As noted in Sara Lee Corporation, 36 F.Supp. 2d 161 "[w]hile §1117(c) looks to compensatory considerations (e.g., actual losses and to true market value, it also looks to punitive consideration (e.g., deterrence of other infringers and redress of wrongful defense conduct)." The Sara Lee Court went on to state "there is no necessary mathematical relationship between the size of [a statutory damage] award and the extent or profitability of the defendant's wrongful activities because §1117(c) omits the strict limits on compensatory and punitive relief of §§1117(e),(b)." Id. at 165, citing, Gucci America, Inc. vs. Gold Center Jewelry, 997 F.Supp. 399, 404 (S.D.N.Y.), Playboy Enterprises, Inc. vs. Universal Tel-A-Talk, Inc., 1998 U.S. Dist. LEXIS 17282, after 20, No Civ. A 96-6961, 1998 WL 767440 at 8 (E.D. Pa. Nov. 3, 1998) ("Defendants did not have any profits and Plaintiff has failed to prove actual damages. Nevertheless, Plaintiff may elect to recover statutory damages.") Plaintiff's request herein is reasonable in light of the large number of items sold and offered for sale by the Defendants and the fact that Defendants' intent to counterfeit or willful blindness to Chanel's rights has been amply demonstrated.

IV. CONCLUSION

For the reasons stated above, Chanel respectfully request the Court enter summary judgment as to liability and damages in favor of Chanel and against the Defendants.

Dated this 5th day of January, 2011.

Respectfully submitted,

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